



THE NEW VISION FOR PAKISTAN

# INVESTING IN PEOPLE

**10<sup>th</sup>** FIVE YEAR PLAN  
2010-15

APPROACH PAPER

Planning Commission  
Government of Pakistan

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## FOREWORD

I am honoured and privileged to table before the National Assembly of Pakistan the proposed Approach Paper on 10<sup>th</sup> Five Year Plan (2010-15). This has also been circulated to the Provinces and approved by the National Economic Council (NEC). The Approach Paper outlines new directions in development planning which would have the people of Pakistan at the Centre. This new vision that Planning Commission has presented would be development and people centric. It endeavors not just poverty reduction but makes a serious attempt to exit from poverty towards sustainable inclusive growth. The vision also would attempt the removal of provincial and intra-provincial disparities. We hope to remove the social deficit in health, education, gender equity, social safety nets etc, so that the Millennium Development Goals are met. In this vision there is a great emphasis on Agriculture and Agro-business, Industrial Competitiveness and many new initiatives for Technology, Energy, Infrastructure, Environment, Heritage and Culture. The key imbalances of all sectors of economy and society need to be overcome. The next plan must provide better employment and economic opportunities to the people of Pakistan.

Since this is an Approach Paper, the Planning Commission and myself would not only welcome but would indeed need your good counsel in formulating this plan. Any new ideas, concepts and proposals would be all welcome.

10<sup>th</sup> June, 2009  
Islamabad

Sardar Aseff Ahmad Ali  
M.N.A.  
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## **INTRODUCTION: KEY CHALLENGES AND NEW DIRECTIONS**

The Approach Paper for the Tenth Five Year Plan (2010-2015) is being issued at a time when national imperatives and global developments provide compelling reasons to make fundamental changes to the growth and development path that we followed in the past.

2. Our past strategies have delivered spurts of high economic growth. Unfortunately, these have not been sustainable, and have only led to boom-bust cycles. In most cases, these spurts have been ignited by favourable international developments and increases in foreign assistance. Historically, once these flows slowed down, so did the momentum of economic growth. This is because growth has been consumption-led and import-dependent, and not driven by increasing investment and exports.

3. More importantly, this growth has not met our people's expectations and there is increasing disillusionment with the development process. Progress in human and social indicators has been disappointing. Poverty levels remain high, job opportunities that meet the citizens' aspirations lacking, and glaring income inequalities have appeared in recent years.

4. Socio-economic tensions have been heightened on account of increasing disparities between the provinces. Within the provinces, significant areas feel deprived of the gains that should have accrued to them from economic growth.

5. Given this scenario, it is not surprising that Pakistan is being described as a case of economic growth without real economic development.

6. This situation must be rectified urgently. The Tenth Five Year Plan (2010-15) is to play a pivotal role in bringing about a fundamental change in the development paradigm. In this new paradigm, ordinary people, especially those in less developed provinces and regions, must be at the centre of the development process and have ownership in the economic development of the country. The government too will need to redefine itself so that it can play an effective part in steering the economy towards achieving these goals.

### **New Directions for Nation-building in the Tenth Five Year Plan (2010-15)**

7. To meet these immediate challenges and to ensure that all the people of Pakistan have a strong stake in the development process for nation-building, the Tenth Five Year Plan (2010-2015) will provide a new direction.

8. Some of the important and urgent changes needed are as follows:

- Overcoming the social deficit by setting up a comprehensive social protection system and providing significantly better-quality education and health services, to fulfill the government's promise to the people of being responsive, efficient, and caring.

- Redirecting resources to accelerate growth in Balochistan, the NWFP, FATA, and less developed areas in other provinces and regions through plans developed and implemented by them within the Tenth Plan Framework, and to reduce disparities in human development and social indicators of these areas in keeping with the national average.
- Designing public policy to achieve better distribution of income and wealth and to ensure that incremental incomes are more evenly distributed than has been the case in the past.
- Reinventing the role of government at all levels by dispassionately *analyzing what works and what does not work*, so as to accelerate economic development and provide better-quality services.
- Putting in place such innovative vehicles for economic development as are built on PPP (Public-Private Partnership) as well as strong private sector involvement in project delivery and management of public sector projects.
- Making strategic interventions which may help unleash the underutilized natural resource reserves and devise ways to overcome the gaps/ imbalances holding back development.
- Making us aware and proud of our rich heritage and culture – while conserving them – in a fast globalizing world.

### **Growth with Structural Change**

9. A fundamental change is required not only in the direction of the development effort but also in the structure, composition and drivers of economic growth.

10. Pakistan needs sustained high rates of growth. Despite a slowing down in the growth rate of population to around 1.8 per cent, the growth rate of labour force remains high at around 3 per cent. This necessitates a minimum GDP growth rate of around 6 per cent to maintain the present levels of unemployment. Indeed to keep up with fast-growing Asian economies (China, India), the growth rate will have to be significantly higher.

11. Moving up to this higher growth trajectory will require determined efforts by the government and the people of Pakistan. It will necessitate a sharp increase in both the levels of domestic savings and investment and in revenue-generating efforts. This will require sound economic policies, and even more importantly, political will and determination.

12. Poverty reduction will need to be embedded in the growth process by ensuring that growth results in the creation of decent and productive employment and envelops those sectors where the poor live and work.

13. Gender equality will be an integral part of the growth process particularly ensuring girls and women's access to education, health, employment, and land ownership.

## **Drivers of Economic Growth**

14. Private sector will be the main engine of economic growth and development in the Tenth Plan (2010-15).

15. To propel growth, new leading sectors will need to be developed and harnessed. The government has initiated policies to reverse the neglect of agriculture and this improvement in the incentive structure has already shown good results. The Tenth Plan (2010-15) will build on this growth momentum to make agriculture and agro-business as a leading sector of growth and development through vertical integration of high-value agriculture and livestock products.

16. Industrial development will be stimulated by making Pakistani firms as part of a global value chain by increasing their competitiveness and reducing the cost of doing business.

17. Modern services (banking, finance, communication) will be developed to enable the private sector to serve as a major driver of economic growth in the Tenth Plan (2010-15).

18. The widening skill gap which is responsible for low productivity and lack of competitiveness will be overcome by building state-of-the-art technical training institutes that produce world-class graduates and diploma-holders.

19. Sound economic policies, improved governance with strengthened institutions at all levels will provide an enabling environment for faster economic growth.

20. To achieve higher growth with employment generation for given levels of investment, the growth of small- and medium-sized industries needs to be accelerated. This would require the establishment of Common Facilities Centres (CFCs) that would enable small-scale industries to improve value-added production and quality control facilities.

21. Industrial competitiveness would be raised and the cost of doing business reduced by major improvements in infrastructure through the implementation of the National Trade Corridor Improvement Program (NTCIP) and overcoming the energy gap through an Integrated Energy Development Plan.

22. To overcome water scarcity resulting from climate change and higher demand, an integrated water resource management approach will be adopted, guided by the principles of equity, efficiency, participatory decision-making, sustainability, and accountability. The construction of Diamer-Bhasha Dam will be put on the fast track..

23. The Pakistani diaspora abroad, variously estimated as between 8-10 million people of Pakistani descent, will be effectively tapped during the Tenth Plan (2010-15) as a source of investment, knowledge and skills.

### **Raising Total Factor Productivity: A Non-conventional Device for Accelerating Growth**

24. Growth in the new global economy is driven increasingly through access to and use of the latest knowledge and cutting-edge technology rather than the traditional factors of production. Pakistan's move into the knowledge economy still requires serious integrated effort. The Tenth Five Year Plan (2010-15) must give high priority to investment in science and technology, to creating research facilities and to developing the much-needed high-quality professionals, scientists, and other knowledge workers.

25. At the heart of such development process and structural transformation of the economy is the sustained productivity growth, which results in rising incomes and thereby a better standard of living of the people. In Pakistan, we have not managed to generate this growth through sustained increases in total factor productivity as other fast-growing economies in the neighbourhood have done. Studies show that growth in Pakistan has been mainly driven by increased use of factors of production and not by growth in total factor productivity.

26. Economic reforms, investment in education and skills, and acquisition of latest knowledge and technology hold the key to a sustained productivity growth in the economy. The challenge would be to develop the policy framework for the Tenth Five Year Plan (2010-2015) to ignite this process.

### **External Resource Inflows and Debt Management**

27. A favourable business environment will be created to encourage foreign investment in new areas to supplement domestic development efforts and acquire latest technology.

28. To meet the resource gap and overcome foreign exchange availability constraint, donor assistance from multilateral and bilateral sources will be sought but it must be ensured that this is used efficiently in line with Tenth Plan (2010-15) priorities. It should not crowd-out domestic resource mobilization effort or used as a cushion to postpone needed structural reforms.

29. To ensure long term stability and sustainability of the economy, effort will be made to keep the foreign and domestic debt within manageable levels and the limits set by the Fiscal Responsibility and Debt Limitations Act 2005 will be adhered.

### **Global Uncertainty**

30. At the global level, the recent financial meltdown has now spread to the real sectors of the economy, plummeting global economic growth and shrinking global trade to a level not seen since the Great Depression of the 1930s.

31. For Pakistan the global financial crisis could not have come at a worse time, with the economy already slowing down and the country facing a rising security threat of terrorism and extremism.

32. The Tenth Plan (2010-15) while developing its strategy will need to take account of how the global economy shapes and impacts on Pakistan's growth prospects.

### **Terrorism and Extremism**

33. Pakistan is a victim of terror. Its roots can be traced to the Russian invasion of Afghanistan in the late 1970s, and more recently to the post-9/11 events. Terrorism and extremism pose a serious threat to the country's stability and future development. It adds critical dimension to the multi-faceted challenges that we are already facing, and it must be taken into account in defining the strategy for the next development plan.

34. The direct costs of this war on terror have been high. Precious lives have been lost. In economic terms, it is estimated that Pakistan has lost around \$35 billion from destruction of infrastructure and output loss since 2002-03. The NWFP and FATA have been most adversely affected.

35. Pakistan, today, has no choice but to fight both extremism and other hindrances to achieving socio-economic progress and prosperity. The Tenth Plan (2010-15) must take cognizance of the cost of this fight against militancy, terrorism, and extremism and lay solid foundations for just and equitable development, which will be the best way of defeating the obscurantist forces.

### **Preparation of the Tenth Five Year People Plan (2010-2015)**

36. The preparatory process for the Tenth Plan (2010-15), with active involvement of all stakeholders, should send out a strong message that Pakistan is looking beyond its immediate economic difficulties and preparing itself to fight its multi-faceted economic challenges in a concerted and integrated manner. The economic framework of the Tenth Plan will clearly establish priorities with a new development thrust.

37. Pakistan, drawing on the will and determination of its people, will ride through the so-called "perfect storm" (global meltdown, security threat, domestic uncertainties) it faces. The evolving consensus amongst all its people in a democratic polity will help steer our course successfully through these difficult times.

### **Implementation, Monitoring, and Evaluation**

38. As important as the formulation of the Tenth Five year Plan (2010-15), which will provide a consensus framework for our future development path, will be its design, monitoring, and implementation.

39. This has been the proverbial Achilles' heel of past development plans. In a period of global and domestic uncertainty, this will pose even a greater challenge.

40. The success of development programmes and projects also depends critically on the criteria adopted for their selection. This must be based on their careful evaluation, detailed cost-benefit analysis, expected private and social returns, and the extent to which they reflect national priorities as determined in the Tenth Plan (2010-15). Only then can the best use of limited resources be ensured. Capacity and the will to ensure this needs to be strengthened at the federal and provincial levels.

41. An evaluation and monitoring system of selected ongoing development projects has been set up in the Planning Commission. Similar capacity needs to be strengthened or built in sectoral ministries at the federal level as well as in the provinces.

42. Following up regularly, at the highest level, on the progress in implementation of policies and development programmes outlined in the Plan should be an integral part of the preparation of the Tenth Five Year Plan (2010-15). Indeed, it may be advisable to put in place a body for such arrangements and mechanisms before the Plan is launched.

43. The proposed arrangements may involve close coordination and interaction between key policy-makers – financial and development planners (i.e. Finance and Planning) – and key sectoral ministries, both at the federal and provincial levels. The private sector may also be closely associated in this process.

44. In a period of uncertainty such as this, a fair degree of flexibility would need to be built into the Tenth Plan framework so that economic adjustments could be made in response to changing global and domestic economic circumstances.

## **II. STABILIZATION TO ECONOMIC RECOVERY: RECENT EXPERIENCE**

After a period of rapid economic growth lasting several years, Pakistan experienced severe balance of payments difficulties beginning late 2007. A large deterioration in net external terms of trade due to an unprecedented increase in oil and food prices was combined with policy inaction by the last government to adjust domestic prices. This together with the adverse effects of the turmoil in global financial markets resulted in an unsustainable financing gap, entrenched inflation, evaporation of investor confidence, and a sharp fall in foreign exchange reserves as well as the value of the Rupee.

2. In response to these challenges, the government of Pakistan took decisive action to restoring macroeconomic stability as well as the confidence of markets and investors under a home-grown stabilization program with support and endorsement of the IMF. To this effect, general subsidies on fuel and food were withdrawn through large increases in administered prices between March and October 2008 together with stringent fiscal and monetary measures to compress aggregate demand pressures on the economy.

3. Aware that stabilization measures would adversely affect growth and increase pressures on the unemployment and poverty situation in the face of high inflation, the government put in place direct income support measures to protect the poor and vulnerable sections of the population through the Benazir Income Support Program together with other food support and social protection measures at the provincial level. This is the human face of the stabilization program.

4. In the short-term, the spill-over of these adverse developments is becoming painfully clear. Economic growth has slowed sharply in 2008-09 to around 2 per cent, and is likely to remain well below potential in 2009-10 at around 3.5 per cent. A direct fall-out will be on government revenue. In conjunction with a less-than-benign external environment for raising privatization revenues, the available fiscal space will be constrained in 2009-10, though somewhat better than in 2008-09. Donor assistance could improve this situation.

5. The economic slowdown with continuing high inflation will result in rising poverty after falling in recent years and rise in unemployment and the number of working poor.

6. In recognition of the fact that the Pakistan economy suffers from major structural weaknesses and imbalances which were the underlying causes for previous and most recent boom-bust cycle over 2002-2008, the government strongly believes that any plan of action should look beyond stabilization and address these fundamental structural problems through wide-ranging and substantive reforms.

7. It was with this in mind that the government adopted in Autumn 2008 a rolling plan embedded in a 9-Point program (see Box).

**Box: “9-Point Program” for Economic Reform and Sustainable Development**

1. Achieve Macroeconomic Stabilization
2. Establish Social Safety Net
3. Develop and mobilize human resources (HRD)
4. Expand Agriculture Production and Galvanize Agro-Business Potential
5. Galvanize Industrial Competitiveness and Develop Supporting Strategies
6. Integrated Planning for Energy Development
7. Deepen and diversify domestic Capital Markets
8. Establish Public-Private Partnership as major method for Infrastructure Development
9. Administrative Reform: Consolidation, Specialization and Devolution.

8. The Tenth Five Year Plan (2010-2015) will help carry forward this program from 2010 by providing an overall macroeconomic growth and development framework needed to operationalize and realize the goals outlined in the 9-Point Program. The Plan will play an important role in identifying trade-offs in using limited resources optimally, in prioritizing objectives and outlining the best economic route to achieve them.

9. The Tenth Plan (2010-15) also has a broader objective. It is to address the underlying social and economic tensions that are now strongly coming to the surface in the form of rising poverty, stubborn persistence of inflation, deteriorating employment situation and rising inter-provincial disparity. It must also take into account the economic costs of the military operations to rid areas infested with terrorists and extremists as well as plan for the reconstruction of these areas which will spill into the start of the Tenth Plan (2010-2015) period.

### **III. WHERE DO WE WANT TO BE IN 2015?**

In the debate and discussion that will follow the issuance of the Approach Paper it may be important to make a preliminary assessment of where we may like to be and what we may hope to achieve during the course of the Tenth Five Year Plan (2010-2015).

2. Given both domestic and global uncertainties any future projections would need to be treated with caution but it is still important to spell out the key achievements that may be envisaged in the Tenth Development Plan (2010-15):

#### **People Centered Targets**

- A sharp increase in growth, development and job creation in Balochistan & FATA, the rekindling of growth in NWFP, and targeted growth of less developed districts in Punjab and Sind (together termed as “Nation Building Regions”).
- A significant decline in disparity in human development and social indicators between the “Nation Building Regions” and the national average.
- A well targeted, comprehensive and dynamic social protection system in place for the needy and vulnerable which also helps build their assets and skills to exit out of poverty.
- Meeting the Millennium Development Goals (MDGs) by 2015 by increasing resources and supporting policies for achieving target where we are falling behind.
- Sharp decline in poverty to move as close as possible to the MDG target of 13 per cent of population living below the poverty line by 2015.
- Decent and good quality employment generated with unemployment reduced to 3.5 – 4 per cent by 2015, and real wages increased significantly.
- Large pool of highly skilled human resources available for overcoming skill gaps in key sectors and for employment abroad.

#### **Macro-economic Targets**

- Around 20 per cent increase in real per capita income based on an average GDP growth rate of 6 per cent per annum during the Tenth Plan (2010-2015) and population growth of 1.8 per cent. Increasing effort would be required to further increase this to 25 per cent (average growth of 6.5 to 7.0 per cent) through productivity growth driven by knowledge inputs.
- Inflation rates in single digits in the Tenth Plan Period (2010-2015).
- Energy shortage overcome and significant improvement in the condition and outreach of physical infrastructure.
- Improved Pakistan’s standing in international comparison of the cost of doing business and business environment for private and foreign investors.

- Reduction in Debt/GDP ratio to a sustainable level.
- A significant improvement in delivery, cost effectiveness and quality of output of public sector investment programme through adoption of new development vehicles, Public-Private Partnership (PPP), and active involvement of the private sector and civil society in formulation, management and delivery.
- Set up measurable targets and performance indicators that will allow monitoring of improvement in governance and delivery of good quality basic services, timely justice, enforcement of contracts and assistance to ordinary people in overcoming problems they face in everyday life.
- Significant progress towards increasing awareness of our rich culture and heritage.

3. A feel for what could be the targets for the Tenth Plan (2010-15) and where we may be in 2015 in terms is given in Box 1.

<b>BOX: 1</b>		
<b>WHERE DO WE WANT TO BE IN 2015?</b>		
	<b>2010</b>	<b>2015</b>
<b>HUMAN DEVELOPMENT INDICATORS</b>		
<b>Education</b>		
▪ Adult Literacy Rate (%)	58	65
▪ Net Primary Enrolment Rate (%)	74	100
▪ Net Secondary Enrolment Rate (%)	50	70
▪ Technical Education (as % of enrolment at secondary level)	3	8
<b>Health</b>		
▪ Infant Mortality Ratio (per 1000 live births)	65	40
▪ Maternal Mortality Ratio (per 100,000 live births)	250	140
▪ Coverage of Population by LHW (% of target population)	90	100
<b>Water Supply &amp; Sanitation</b>		
▪ Access to improved water source (% of total households)	76	93
▪ Access to sanitation (% of total households)	70	90
<b>SOCIAL PROTECTION INDICATORS</b>		
▪ Poverty Headcount Ratio (% of total population)	30	13
▪ Coverage under BISP Million poor households)	7	12
<b>OVERALL &amp; SECTORAL GROWTH RATES</b>		
- GDP	3.3	6.8
- Agriculture	3.6	4.8
- Industry	2.3	9.2
- Services	3.7	6.4
<b>AGRICULTURE PRODUCTION</b>		
- Wheat (million tons)	<b>25</b>	30
- Rice (million tons)	5.9	7.5

- Cotton (million bales)	13.4	20.7
<b>MANUFACTURING GROWTH RATE</b>	<b>2.8</b>	<b>8.5</b>
- Large Scale	1.0	9.5
<b>SERVICES GROWTH RATE</b>	<b>3.7</b>	<b>6.4</b>
- Wholesale & Retail Trade	3.5	6.9
- Financial & Insurance	1.0	9.5

## **IV. MAIN ELEMENTS OF THE 10<sup>TH</sup> FIVE YEAR PLAN (2010-2015)**

While priorities and thrust of the Tenth Five Year Plan (2010-2015) will evolve through debate and discussion over the course of 2009-10, it would be important to spell out some of the key challenges that it would need to address.

### **IV.1 MOVING TOWARDS SUSTAINABLE AND INCLUSIVE GROWTH THAT GENERATES DECENT EMPLOYMENT AND REDUCES POVERTY\***

Macroeconomic stability is an essential pre-requisite for sustainable economic growth and building investors' confidence - domestic and foreign – in future growth prospects of the economy.

2. In the short-term this requires prudent fiscal and monetary economic management. Policy makers must avoid unsustainable fiscal deficits and increases in money supply that fuel inflation rather than growth and trade deficits that are increasingly financed through unstable foreign resource inflows (whether foreign loans, remittances or direct and portfolio foreign investment).

3. Yet fundamental to ensuring macroeconomic stability in Pakistan and ensuring sustainable growth will be the need to significantly increase the very low rates of domestic savings and investment in Pakistan over the plan period. In 2006 gross saving<sup>12</sup> rate in Pakistan was 24 per cent compared to 34 per cent in India, 31 per cent in Thailand and 54 per cent in China. Similarly investment levels in Pakistan were 22 per cent, compared to 34 per cent in India, 28 per cent in Thailand and 45 per cent in China.

4. Key to increasing domestic savings is to increase public savings which currently are negative. Pakistan's tax (consolidated federal and provincial) to GDP ratio at 10 per cent in 2008-09 is clearly insufficient to meet development needs and finance development with an adequate social protection system. Over the Tenth Plan (2010-2015) serious efforts would need to be undertaken to tax hitherto untaxed sectors on the principle that 'regardless its source all income above a certain level is taxable'. The tax net would need to spread to services and agriculture incomes and collected by the authority so empowered by the Constitution.

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\* This section draws on the Report of the Panel of Economists.

<sup>1</sup> Based on gross national income less total consumption plus net transfers.

**(i) Towards Higher and Sustainable Growth**

5. Pakistan needs to generate not only high growth to absorb a still high growth of population and labour force but also ensure that this growth is sustainable so as to break-away from the boom-bust cycles of the past.

6. Preliminary analysis (see Annex 1) suggests that such a level of sustainable growth based on historical trends of 10 years averages is around 5 per cent.

7. But would this be enough? Pakistan's regional neighbours namely India and China are growing at well over this rate and have planned to grow even significantly higher. India's targeted growth rate during its Eleventh Plan (2007-2012) is 8 per cent.

8. How to spur a high and sustainable growth rate? would be a major challenge during the Tenth Plan (2010-2015). Productivity growth would be essential and hopefully Pakistan's increased investment in higher education, skills and technology would kick-in to achieve higher productivity growth during the plan period.

9. The preliminary macro-framework targets an average of 6.0 per cent growth over the Tenth Five Year Plan (2010-2015). It is hoped that this could be raised through growth in total factor productivity to 6.5 – 7 per cent.

**(ii) Ensuring Inclusive Growth: Increasing quantity and quality of job generation i.e. Decent Work**

10. High and sustainable economic growth is an essential condition for reducing poverty but in itself not a sufficient one. Economic growth only results in reducing poverty if it leads to creation of productive, remunerative and decent employment and encompasses sectors where poverty is concentrated-namely amongst landless labour and small farmers in rural areas and the informal economy in urban areas.

11. The challenge in the Tenth Five Year Plan (2010-2015) would be to ensure growth in labour-intensive sectors namely SMEs, construction and housing.

12. Similarly raising incomes and productivity in the informal economy, where almost 70 per cent of the urban labour force is concentrated, would need to be undertaken in the form of integrated packages encompassing skills training, access to microfinance, technology upgradation, improving conditions of work and development of entrepreneurial and management skills. Urban planning and local regulations need to build into them provisions for accommodating the growth of the informal economy especially providing them with physical space from which they can operate and access to utilities and physical infrastructure.

**(iii) The Institutional Framework for Inclusive Growth**

13. To create the institutional framework for sustained and equitable growth, new corporate enterprises with the poor as equity owners need to be created on the basis of public-private partnership. These corporate enterprises could be set up in leading

sectors such as livestock and dairying, the development of small and medium farms, the development of export based manufacturing industries in automotive parts, electronics, light engineering, as well as enterprises in the services sector such as telecommunications and information technology.

## IV.2 PRIORITY TO REMOVING PROVINCIAL AND INTRA-PROVINCIAL DISPARITIES

A fundamental change that the development paradigm in the Tenth Five Year Plan (2010-2015) must usher is a shift from the previous sole emphasis on overall macro and sectoral growth towards increasing emphasis on Provincial and Intra-Provincial development priorities.

2. Political and economic realities dictate this change in strategy. Baluchistan has fallen behind in the development process, despite attempts to rectify this imbalance in recent years. This has created a feeling of deprivation and anger in its people especially the youth.

3. Similarly, the fight against terrorists and extremists in NWFP has adversely affected economic growth, severely dampened investors' confidence and led to large scale destruction of infrastructure in selected districts.

4. The recent military action to re-establish the writ of the state which was being openly flouted by terrorists and extremists in these areas must be accompanied by a strong economic recovery program to provide basic services to internally displaced persons (IDPs) and to assist in their rehabilitation on return and provide required resources to rebuild destroyed physical infrastructure and revive economic activities.

### (i) **Removing Provincial Disparities**

5. The removal of provincial disparities must be embedded into the Tenth Plan (2010-15). There are, however, fundamental issues of distribution and allocation of resources which are in the ambit of the National Finance Commission (NFC). The NFC has been constituted and will meet soon to resolve through consensus some of these fundamental issues.

6. Within the new NFC award the Tenth Five Year Plan (2010-2015) can play an important role in addressing inter-provincial disparities.

7. As an important starting point development priorities at the national level i.e. the allocation and distribution of the Federal PSDP must be based on close consultations with the Provinces. A consensus approach must be adopted in the selection and development of mega infrastructure projects (especially water, energy) but more importantly selection of projects directly impacting on the economy of the province must be done in close consultation with and indeed be driven by the priorities of the concerned province.

8. Also efforts should be made to design mega projects such that substantial benefits accrue to the inhabitants of the host province. At the same time a fair price for the outputs of such projects should be ensured.

9. All four provinces, FATA and Special Regions have developed their own comprehensive medium-term development plans and these should form the basis of allocation and prioritization of resources and projects in the Tenth Five Year Plan (2010-2015) and Federal Annual PSDPs.

10. Similarly in the same spirit the Provinces, FATA and Special Regions should closely interact with the Planning Commission and concerned line Ministries in developing and implementing their medium-term plans so as to ensure maximum synergy between the two. This is all the more important as basic priority and goals of plans at the national and provincial levels are very similar.

11. The time has also come to clearly demarcate development activities between the federal government and the provincial government and within the provinces between the provincial and the local level. There is considerable resentment among the provincial planning authorities about the vertical programmes that are clearly provincial subjects (e.g. health and education) but which are initiated and implemented to varying degree by the Federal Ministries. While this is at times done to ensure minimum quality and ensure basic standards across provinces it is important that the role of the Federal Ministries should be so limited and not extend to direct implementation of projects which are clearly in the domain of the provincial governments.

12. While some provinces (especially Punjab and Sind) have developed strong capacity in formulating and implementing development plans in other provinces and special regions this capacity need to be greatly strengthened.

13. Also reliable basic statistics at the provincial level are in many cases not available. This makes it difficult to estimate provincial GDPs, their growth rates, including growth in major sectors and trends in per capita GDP growth. The Provincial Statistical Bureaus in the provinces would need to be strengthened and the FBS (Federal Bureau of Statistics) extend their activities to come up with provincial estimates of key macro variables as well as assist in the strengthening of the Provincial Statistical Bureaus.

**(ii) Targeted interventions to Fight Terrorism and Extremism and Uplift less Developed Areas**

14. Terrorism and extremism are clearly not just the product of economic forces and economic conditions. Yet it is a stark fact that they have taken roots in areas which have benefited little from the development process, where poverty levels are much higher than the average, job opportunities scarce and the social indicators much worse as compared to the rest of the country.

15. It is also a fact that even in the relatively better-off provinces there are regions and areas which have been neglected and left behind. This is the case for example of southern Punjab and districts in rural Sind.

16. The Tenth Plan (2010-2015) must develop in close consultations with the concerned Provinces comprehensive plans for which special funds should be earmarked to uplift economically these areas which have fallen behind.

17. Priority in these targeted interventions, should be given to job creation and development of social and physical infrastructure. Serious consideration may be given to the setting up of Employment Guarantee Schemes (EGS) for development of physical and social infrastructure to meet local needs in these areas.

18. Job creation should not, however, just target the poor which the EGS would do. Employment opportunities need to be created that meet the aspirations of the young people especially the educated youth.

19. The dilemma in these areas is that existing economic conditions are not favourable for private investors and this limits creation of much needed job opportunities. Also self-employment opportunities and start-your-own business opportunities are limited for the same reason.

20. The Tenth Plan (2010-15) needs to address this critical issue and come up with innovative schemes for job creation and skills development for these areas especially for the educated unemployed youth.

**IV.3**  
**OVERCOMING THE SOCIAL DEFICIT**  
**(i.e. Education, Health, Gender Equity and Safety Nets)**  
**AND MEETING THE MDGs**

The people of Pakistan are its greatest asset. Yet the overwhelming feeling amongst the vast majority of people is that little has been done in the past to develop this asset so that its potential could be fully realized. Pakistan's poor HDI indicators and its position at 136 among 177 countries in 2008 are testimony to this situation.

2. This rising social deficit has been a major factor in the growing sense of alienation amongst people with the overall economic development process which appears to them to be heavily biased in favour of a selected few. This sense of alienation which results in not having any real stake in the system breeds social unrest and tensions in society. Even though it could be argued that this complaint is not completely true and that some measurable progress has been made in improving people's lives, rising and glaring income inequalities fuel this sense of deprivation and alienation.

3. The immediate cause of this frustration is the persistence of high levels of poverty and lack of remunerative job opportunities. There are no effective safety nets for the poor and the social protection system provides coverage to a very small percentage of the population mainly working in the organized sector.

**(i) Developing a Comprehensive Social Protection System\***

4. Social protection is defined as the provision that society makes to individuals and households – through public and collective measures to guarantee them a minimum standard of living and to protect them against a number of basic risks and needs. It includes social security – or contribution-based transfers and social insurance – as well as safety nets – straight transfers for risk mitigation regardless of prior or future contribution. Social protection is also increasingly seen as having a “transformative” role – creating entitlements that lead to the realization of citizenship rights and social equality.

5. From the viewpoint of social protection, Pakistan's strategy of economic growth, particularly over the last decade or so, has the following implications:

- Narrow sectoral and regional base of growth and relatively small employment impact
- Persistent and increasing in formalization through periods of growth
- Increasing regional and income inequalities
- Increasing deregulation of markets, including those for essential commodities, without compensating competitiveness watchdog.

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\* This Section is based on the Report of the Panel of Economists.

## Suggested Framework for Social Protection, Poverty and Vulnerability

**Table 1: Poverty and vulnerability in Pakistan**

	Poor	Non-poor
Most vulnerable	<ul style="list-style-type: none"> <li>▪ Casual labour</li> <li>▪ Low-capital self-employed</li> <li>▪ Low-rank formal sector workers / pensioners on fixed incomes</li> <li>▪ Women</li> <li>▪ Children</li> <li>▪ Those without family / community support</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mid rank formal sector workers / pensioners on fixed incomes</li> <li>▪ Women</li> <li>▪ Children</li> <li>▪ Those without family / community support</li> <li>▪ Urban workers</li> </ul>
Less vulnerable	<ul style="list-style-type: none"> <li>▪ Small farmers</li> <li>▪ Medium capital self-employed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Medium/large farmers</li> <li>▪ Mid-upper rank formal sector workers / pensioners on fixed incomes</li> </ul>

6. The framework for social protection in the short and medium terms respectively will need to be informed by an analysis of poverty and vulnerability in Pakistan. Table 1 provides a summary based on existing empirical work. The list of identified groups is not exhaustive, but it is indicative of the broad contours of poverty (i.e. long to medium term deprivation) and vulnerability (i.e. short-term risk), given the economic and social structure of our country.

### Strategies for the Tenth Plan (2010-15)

7. Using the framework described above, it is possible to anticipate a comprehensive social protection strategy based on the following four elements:

- Direct immediate support to the most vulnerable – improvement and expansion in federal Benazir Income Support Programme (BISP) and Punjab’s Food Support Program (FSP).
- Direct interventions to protect women and children – introduction of comprehensive child-centred nutritional programmes, and public health interventions (e.g. Lady Health Workers) for women.
- Counter-cyclical support programmes – Employment Guarantee Schemes targeted to casual labourers.
- Non-budgetary social protection measures such as residential security for the poor in rural and urban areas.

8. A **Social Policy Platform** is an essential institutional intervention if Pakistan is to make any serious attempt at overcoming its social and economic under-development. Such a platform can be used to implement targeted social protection measures based on the principles of targeting from a well-defined universe using transparent, verifiable and dynamic criteria with in-built channel of beneficiary exit.

**(ii) Improving HDI Indicators (MDGs) as the Major Exit Route out of Poverty**

9. While social protection will provide a safety net for the poor and those who move in and out of poverty the only sustainable way of exiting out of poverty is by empowering people with required education, skills and assets so that they can sustain their livelihoods.

**(a) Education and Training**

10. **Key Issues:** At present the quality and coverage of education and vocational training do not provide the necessary skill base for sustainable high growth in the country. A basic objective of the Tenth Plan (2010-15) would be to move the country out of the “low quality of education, low skills, low productivity and low expectations” trap which permeates in most spheres of national activity.

11. Attaining gender and regional parity in terms of opportunities for education and employment is a major challenge due to large regional variations and low female enrolment and retention that needs to be addressed. The instruments for this change will be the dissemination of wide-ranging education and skills up-gradation and training of the workforce to enhance its employability, productivity and competitiveness. Educated and trained manpower will address the challenges of changing workplace, changing demand for skills and challenges hindering movement towards population planning, gender and regional parity.

12. If decline in fertility rate is matched with an emphasis on increased enrolment, the target of universal primary education will be attained by 2015, with a proportionate increase in secondary and consequently in higher educational enrolment and attainment. An attempt will be made in the Tenth Plan (2010-15) that under 25 age group have an average of 10 years of education while tertiary enrolment also grows accordingly. Additional personnel, equipment, physical infrastructure and other financial flows will need to be arranged, with higher management and delivery capacity to achieve these goals. Further, greater access to quality education in both rural and urban areas will be a major aim of the Plan.

13. Formulation and effective implementation of a comprehensive education and training policies and strategies are key to change. Besides, science and technology there needs to be an equal focus on the social sciences, the humanities, and the arts, which provide the human face to S&T. To meet these challenges education strategies of the Tenth Plan will need to include the following:

- Generating an educational environment which encourages the thinking process (‘learning how to learn’).
- Teacher to be the centre of educational reforms, removing teacher shortages; enhancing their salaries, status, along with pedagogical skills.
- Universal enrolment at primary level and completion of education for a minimum of ten years with gender and regional parity; and raising enrolment at tertiary level of education.
- Increase public expenditure on education to 4 per cent of GDP by 2015;

with simultaneous enhancement in planning, management and delivery capacity of the education administrators.

- Greater investment in skill generation during and after 10 years of schooling and social reforms and incentives to draw in women.
- Establishing standardized curriculum and standardized examination system under state responsibility, provision of research based education having institutional linkages with industry and workplace.
- Upgradation of atleast ten top universities of Pakistan to enable them to become external campuses of leading world universities and to be able to offer foreign degrees from here.
- Ensuring relevance of curricula and educational practices to meet the needs of the society and the market.
- Creating a set of skills and aptitudes enabling employability and productivity simultaneously with character building.

**(b) Health and Population**

14. The thrust of the health strategy of the Tenth Plan (2010-2015) would be to pursue the ideal of “health for all”. With health equity forming the base of the strategy, all segments of society would have equal access to and reap the benefits of health-enhancing interventions. As a start, the current public health expenditure on health will be raised from one to two per cent of the GDP by the year 2015.

15. Provision of health insurance is envisioned in the Tenth Plan, aimed especially at the poor. Since such schemes can only insure people against a limited number of health problems due to cost constraints, mechanism will be designed to identify the relevant needs of those subscribing to the scheme. Poor families often find it hard to pay premiums, so the planned health insurance system will be complemented by tax-based funding of health care provision.

16. The Tenth Plan (2010-15) will prescribe policies and programmes for the allocation of resources to address the following major issues:

- Reducing burden on tertiary health care system and overcoming inadequacies in the primary and secondary health care services.
- Overcoming professional, managerial and delivery deficiencies in the district health system.
- Fostering health education and preventive measures to avoid disease.
- High burden of disease (BOD), including both communicable and non-communicable diseases.
- Numbers of years lost due to disability (YLD), and disability-adjusted life years (DALYs)
- Dearth of reliable health statistics and health information systems.
- Public-private partnership to ensure equitable health delivery.

**(c) Population dynamics**

17. Despite having one of the oldest family planning programmes in the region, the country's total fertility rate (TFR) remains a high 4.1 children per woman and the contraception prevalence rate (CPR) a low 30 per cent. Regional differences stress the need to have area specific strategies to tackle the problem as experiences have proven that one size does not fit all in the country vis-à-vis family planning.

18. Direct approach to increase CPR, by improving knowledge and access to contraceptives, in order to reduce fertility has reached stagnation. A holistic approach is needed to reduce the high population growth rate in the country. Higher educational levels and improvement in employment opportunities for women can be a productive step in this regard as it would not only advance the age at marriage but also increase the opportunity cost of having children. Economic opportunity gives families other paths to security than having children.

19. In the Tenth Plan (2010-15), health services will be restructured to integrate issues related to family planning. The most viable option in this regard would be to strength family planning services with the primary health care system, offering quality health care to the population, including that related to reproductive and sexual health.

**Progress in meeting the MDGs**

20. Pakistan is fully committed to the MDGs. These goals have been reflected in the overall development strategy of Pakistan and embodied in the Medium Term Development Framework (MTDF) 2005-2010 and the Vision 2030.

21. The overall progress on the MDGs indicators, as can be seen from Table 2, shows that out of the 34 indicators adopted, Pakistan is ahead in seven, on track in 16 and lagging behind in 11 targets.

<b>Table 2: Millennium Development Goals</b>		
<b>Goal</b>	<b>Indicator</b>	<b>Status</b>
<b>1. Eradicate Extreme Poverty and Hunger</b>		
	Proportion of population below the calorie based food plus non-food poverty line.	On Track*
	Prevalence of underweight children under 5 years of age	On Track
	Proportion of population below minimum level of dietary energy consumption	Ahead
<b>2. Achieve Universal Primary Education</b>		
	Net primary enrolment ratio (%)	Lag
	Completion/survival rate: 1 grade to 5(%)	Ahead
	Literacy rate (%)	Lag
<b>3. Promote Gender Equality &amp; Women Empowerment</b>		
	Gender parity index (GPI) for primary, secondary and tertiary education	On Track

	Youth Literacy GPI	On Track
	Share of women in wage employment in the non-agricultural sector	On Track
	Proportion of seats held by women in national parliament	Ahead
<b>4. Reduce Child Mortality</b>		
	Under-five mortality rate	Lag
	Infant mortality rate	Lag
	Proportion of fully immunized children 12-23 months	On Track
	Proportion of under 1 year children immunized against measles	On Track
	Proportion of children under five who suffered from diarrhea in the last 30 days and received ORT	Ahead
	Lady Health Workers' coverage of target population	On Track
<b>5. Improve Maternal health</b>		
	Maternal mortality ratio	On Track
	Proportion of births attended by skilled birth attendants	Lag
	Contraceptive prevalence rate	Lag
	Total fertility rate	Lag
	Proportion of women 15-49 years who had given birth during last 3 years and made at least one antenatal care consultation	Lag
<b>6. Combat HIV/AIDS, Malaria and other diseases</b>		
	HIV prevalence among 15-24 year old pregnant women (%)	On Track
	HIV prevalence among vulnerable group (e.g., active sexual workers ) (%)	On Track
	Proportion of population in malaria risk area using effective malaria prevention and treatment measures	On Track
	Incidence of tuberculosis per 100,000 population	On Track
	Proportion of TB cases detected and cured under DOTS (Direct Observed Treatment Short Course)	Ahead
<b>7. Ensure Environmental Sustainability</b>		
	Forest cover including state owned and private forest and farmlands	Ahead
	Land area protected for the conservation of wildlife	On Track
	GDP (at constant factor cost) per unit of energy use as a proxy for energy efficiency	On Track
	No. of vehicles using CNG	Ahead
	Sulphur content in high speed diesel (as a proxy for ambient air quality)	On Track
	Proportion of population (urban and rural ) with sustainable access to a safe improved water source	Lag
	Proportion of population (urban and rural) with access to sanitation	Lag
	Proportion of katchi abadis regularized	Lag

\* Based on data available till 2005-06.

**(d) Women in Development**

22. Women in Pakistan remain an overworked, invisible and underpaid human resource. Focus on capacity and capabilities development for their empowerment can play a pivotal role in galvanizing development during the Tenth Plan (2010-2015).

23. Poverty in Pakistan is more feministic in nature. Illiteracy, social insecurity, unemployment, malnutrition, discrimination and lack of participation in decision making are more common amongst women. Social and cultural restrictions limit women's chance to compete for resources. They face difficulties in acquiring skills and employment in the market and hardly find jobs and skills in non-traditional areas. Male dominance is relatively stronger in the rural and tribal settings. The overall objective during the Tenth Plan (2010-15) would be to solve these problems so that women role is acknowledged and they become fully productive members of the society. Gender focus is thus, expected to be an important part of the socio-economic development strategy of the Tenth Plan.

24. During the Tenth Plan (2010-15), the development and empowerment of women in social, economic, political and legal fields would be made visible as we move towards a gender balance and equity based society. Accordingly, gender mainstreaming would provide guidance for taking into account gender-specific approach to all policy planning, decision-making and monitoring processes.

25. The Tenth Plan (2010-15) strategy of women development and empowerment will need to constitute amongst others the following main elements.

- Strengthening of social protection institutions and mechanism to counter the increasing feminization of poverty.
- Ensure women's access to and control over resources, assets (such as land ownership), credit, market oriented skills, training and remunerated employment, especially in the rural areas.
- Provide enabling legislative framework to eliminate structural inequality and discrimination in all spheres of life.
- Eliminate social injustice and violence against women. Safeguard and ensure the protection of women human rights especially the rights of minority, rural and poor women.
- Work on overcoming socio-cultural constraints to women access to education, training and employment by using mass media.
- Accounting of women's economic contribution to the national income and wealth.
- Provision of transport and day care services to facilitate women participation in productive activities.
- Ensure accurate gender-disaggregated operational research and data for planning, programming and resource allocation purposes, and above all for meeting the Millennium Development Goals (MDGs) and time-bound targets.

#### **IV.4 NEW LEADING SECTOR FOR PROPELLING GROWTH: AGRICULTURE AND AGRO-BUSINESS**

Despite structural changes, agriculture sector continues to be a vital sector of Pakistan's economy contributing 21 per cent to GDP, about 60 per cent to exports and providing productive employment to 45 per cent of the labour force. About two-thirds of Pakistan's population living in the rural area depends on agriculture for their livelihood. Over the past four decades (1960-2000), agriculture sector achieved a respectable growth rate of about 4.0 per cent per annum -- well above the population growth rate of 2.8 per cent per annum during the same period.

2. The momentum of growth, however, could not be sustained. Growth fluctuated widely during 2001 to 2008 -- between -2.2 per cent and 6.5 per cent -- averaging about 2.8 per cent per annum. The decline in growth was particularly severe in 2007-08 when it fell to 1.5 per cent amidst the national energy and food crisis resulting in heavy imports of wheat (more than 2.0 million tons) and high prices of staple food in the market.

3. The emerging food crisis in the wake of global food insecurity underpinned the continuing vital importance of agriculture and need for its revitalization to ensure sustained food security and broad based economic growth. According to cross country comparison GDP growth originating in agriculture is at least twice as effective in reducing poverty as that originating in other sectors. The recent experience of rapid agricultural growth in China, India, and Vietnam demonstrate its impact on overall economic growth, poverty reduction and move towards industrialization.

4. In Pakistan, there has been, besides a gradual deterioration of agriculture terms of trade and in food security indices, under-investment in agriculture sector and neglect of agriculture policies and institutions during the past decade which in turn led to stagnation of crop productivity and overall decline in sector performance.<sup>3</sup>

##### **(i) Approach to Strategic Planning in Agriculture**

5. In the context of fluctuating and declining agriculture growth since 2000 and high incidence of rural poverty, the Tenth Plan (2010-2015) must address the systemic issues and challenges in the agriculture sector. These include creating an enabling environment for achieving a minimum growth rate of 4 per cent per annum with a strategic focus on small farmers, landless livestock holders and landless laborers on the one hand, and on export competitiveness and sustainability of the agriculture growth, on the other.

##### **(ii) Agriculture Issues and Challenges**

6. A number of sector strategy studies on agriculture undertaken by the international and national experts in consultation with major stakeholders have

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<sup>3</sup> See Task Force Report on Food Security 2009.

identified the following critical issues and challenges which will need to be addressed in the Tenth Plan (2010-15):

7. *Food Security and Rural Poverty:* The challenge is to make agriculture growth more pro-poor and equitable for which a well developed and functioning rural non-farm sector is important to generate employment (agro-based rural enterprises), ensure income diversity and reduce poverty. Achieving this will require strong linkages between farm and non-farm sectors through promotion of agro-business activities in addition to provision of basic health and education facilities.

8. *Dualistic Agrarian Economy:* The skewed ownership of productive assets, particularly land and water, represents the dualistic structure of Pakistan's agricultural economy. There are large number of small, resource poor and subsistence farmers (86 per cent of 6.6 million farm households) who own less than 50 per cent of the land and water resources; and a small number of large farmers (14 per cent of total) owning more than 50 per cent of the resources. The challenge is to devise strategies which make agriculture growth more equitable for small farmers and livestock holders.

9. *Deteriorating Agriculture Terms of Trade:* The deterioration in terms of trade as a result of high input prices and low commodity prices during most of 2000s resulted in very low profitability and hence little or no private investment in agriculture. On the contrary, farmers tended to invest their agricultural income in other sectors of the economy. There is need to develop an incentive structure that ensures food security and export competitiveness.

10. *Enabling the Rural Poor:* Nearly 40 per cent of the labour force of rural Pakistan is employed in the non-farm sector, either in self-employment (26 per cent) or wage workers (13 per cent). A well developed and functioning rural non-farm sector and rural labour market is essential to generate employment, ensure income diversification and reduce poverty. Achieving this will require substantial improvements in strengthening rural farm and non-farm linkage and service delivery and investments in rural and small-town infrastructure.

11. *Agriculture Markets and Trade Policies:* Direct government intervention in marketing and trade of agricultural commodities while necessary to stabilize prices and avert market failures, must be practiced prudently and be kept to a minimum. Trade policies to promote exports need to address the constraints relating to sanitary and phytosanitary (SPS) measures in compliance with WTO and/or importing countries' requirements and provision of supply and cool chain infrastructure.

12. *Public-Private Partnerships (PPPs):* Public Private Partnership needs to be pursued aggressively with respect to agricultural marketing, storage, and supply chain infrastructure to enhance effectiveness of the public sector programs. It will be necessary to: (i) put in place an incentive structure for the private sector to enter into contractual arrangements with farmer organizations and link delivery of public services to business development; and (ii) create public-private partnerships in agricultural research and extension to help public research systems become more responsive to farmers' actual needs.

13. *Linking Farmers to Markets:* Farmers and marketing linkages could be facilitated by supporting the creation of farm services centers in major production areas, under public private partnership. Facilitating group marketing and business clusters could also help rural enterprises take advantage of scale economies, thereby allowing them to purchase inputs at lower prices, access larger markets and share the use of equipment and infrastructure.

14. *Improving Public Service Delivery:* Improvement in public service delivery in dispute resolution, provision of agriculture support services, health, education, water supply and sanitation is pre-requisite to improve quality of rural life. As well, accurate and timely monitoring and audit of total spending in rural areas is needed to ensure that rural development needs are addressed and impact measured.

15. *Poor Water Use Efficiency:* Increasing water use efficiency is sine qua non for sustainability of agriculture in Pakistan. The current water allocations, water pricing and irrigation systems are inefficient resulting in low productivity per unit of water and land. Accelerated introduction of water saving technologies such as laser land leveling, bed planting, and high efficiency irrigation systems is necessary to improve water use efficiency.

16. *Institutions and Policies:* The current state of agriculture research and policy institutions is too weak to address the current and emerging challenges of agriculture. There is an urgent need to address these constraints by strengthening the relevant institutions both at the federal and provincial level. This will require major capacity-building and improvement in the governance structure, human resource development, and financial management system of the existing organizations to address these challenges.

**(iii) Integrated Strategy for Accelerated Agriculture Growth in Tenth Plan (2010-15)**

17. A coherent and integrated agriculture development strategy which is needed to address these issues and challenges will be developed under the Tenth Plan. This strategy drawn heavily from the recent Report of the Task Force on Food Security (2009) which includes the following:

- a. Improving productivity by bridging the yield gap with emphasis on small farmers/livestock holders through accelerated adoption of resource conservation technologies
- b. Improved access to agricultural credit and other support services
- c. Fair price to farmers through improved terms of trade
- d. Making agriculture growth pro-poor by generating non-farm employment through establishment of agro-based rural enterprises (SMEs)
- e. Diversification into high value agriculture (livestock, horticulture)
- f. Improved post harvest technologies, and supply and cool chains
- g. Joint ventures in agriculture production, processing and marketing
- h. Demand driven research for new technologies and innovations

- i. Development of market infrastructure and related policy reforms
- j. Food safety and compliance with international quality standards (SPS)
- k. Demand driven agriculture research and extension system for development and dissemination of new technologies and innovations
- l. Strengthening of the sector policies and institutions with focus on good governance, resource poor small farmers, landless livestock holders, women, and environment.

**(iv) Proposed Priority Investment Areas for Tenth Plan (2010-15)**

18. The following priority investment areas based on the foregoing strategic thrusts are identified:

- a. Revitalization of Seed Industry with Focus on Hybrid and GMO technology such as Bt Cotton, Bt. Maize and Hybrid Rice, Maize, Vegetables and Fruits
- b. Promoting resource conservation technologies for agricultural inputs(water, fertilizer, energy)
- c. Poverty reduction through smallholder livestock and dairy development
- d. Integrated agriculture commodity storage and trade under public-private partnership
- e. Cool chain infrastructure development under public private partnership
- f. Accelerating farm mechanization with emphasis on farm machinery designed to improve efficient use of water, seed, fertilizer, pesticides
- g. Development of range lands with focus on poverty reduction
- h. Linking farmers with markets through farmers associations and farm to market roads
- i. Olive production in Balochistan and Northern Areas
- j. Crop production forecasting using satellite imaging
- k. Reforestation and agro-forestry
- l. Research on bamboo production and processing into high value products.

## IV.5 INCREASING INDUSTRIAL COMPETITIVENESS: DEVELOPMENT OF THE PAKISTANI FIRM

Given the dynamic economies of scale and opportunities for continuous technological progress inherent in manufacturing, it must continue to play a major role in raising productivity and growth of the Pakistan economy. This it can only do if it is efficient and competitive in the new global economy.

2. There are number of important issues which require careful attention for the Tenth Plan (2010-2015). The first is the degree and pace of openness of the economy. There is a feeling that in recent years Pakistan may have opened itself too quickly adversely affecting manufacturing sub-sectors with potential for attaining global competitiveness. The second is whether as part of an industrial policy the Tenth Plan (2010-2015) should target new and fast growing industries where Pakistan has a comparative advantage which can be developed through targeted policy support. This would help diversify the manufacturing sector away from “cottonomics” i.e. dominance of cotton related industries. But what would this targeting and policy support entail? Also in a global economy with fast changing competitive advantage what are the chances of getting it right and what would be the costs of targeting the wrong industry?

3. Recent research has shown that there is a wide variation in the performance of firms in the manufacturing sector. This difference in performance is explained more in terms of access to and use of new technology rather than less efficient use of existing resources.

4. The Task Force on Private Sector Development recently set up by the government has taken as its organizing framework the development of the Pakistani firm. The Task Force would provide suggestions for public policy which would improve their productivity, make them more competitive in the market place, improve their technological capability, develop the level of skills of their work force and bring about a better integration of the Pakistani firm into the global production system.

### **Improving Quality of the Work Force \***

5. High priority in the Tenth Plan (2010-15) will need to be given to improving the quality of the country’s large work force. To deal with this problem the government must focus not only on providing adequate resources but also undertaking a number of institutional reforms. The public sector does not have the resources and expertise to do this on its own. A close partnership will be needed between the public and private sectors. This would include setting up non-profit sector specific companies under private-public partnership with each company catering to training needs of its upstream and down stream value chain.

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\* Interim recommendations of the Task Force on Private Sector Development.

## **Prospects and Problems of Large Firms**

6. An important issue is the role large firms can play in driving productivity growth and economic development by exploiting economies of scale and better integrating Pakistan into the global economy.

7. Some of the key issues to enable large firms to play this role (identified by the Task Force) include:

- (i) An enabling legal and capital structure.
- (ii) Identifying sectors that can allow export growth to increase beyond \$5-10 billion (engineering, chemicals, steel, ICT, Agro-Livestock, Pharmaceuticals).
- (iii) Infrastructure support for large corporations e.g. development of large scale industry requires allocation of large tracks of land near the port.
- (iv) Developing a global mind set that enables a company to gain volume and become internationally competitive.
- (v) Develop public-private partnerships as large corporations have the managerial capacity and capital to pursue this program.
- (vi) Need for a level playing field with safeguards against unfair competition from imports (e.g. dumping/Afghan Transit Trade) as well as the unorganized sector given the disproportionate reliance on the formal sector for government revenue.

## **Encouraging Private Investment**

8. Short and medium term measures to encourage growth of private investment recommended by the Task Force include:

- reduction in the discount rate as the monetary situation improves;
- rationalizing the tariff structure by encouraging the import of capital goods, keeping in mind the fact that the prices of investment goods have risen faster than those of consumer goods;
- accelerated depreciation for investment by companies to improve the educational and skill levels of their workers;
- support efforts by the private sector to form companies dedicated to skill development;
- level the playing field for enterprises of different sizes by bringing the small and medium enterprises into the tax net and into the regulatory framework;
- facilitate the exit of companies that are not performing (have turned “sick”) by establishing a Resolution Trust Corporation and providing it with an appropriate amount of capital;
- quicken the implementation of the program to computerize land records. This would generate economic activity and deepen the financial and capital markets;
- expedite the process of privatization by putting greater emphasis on the use of domestic capital markets; and

- strengthen the Security and Exchange Commission of Pakistan and the Competition Commission. The later should be provided with the funding that is its due under the law that established it.

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## IV.6 REDUCING POVERTY: EMPOWERING THE POOR SO THAT THEY BOTH BENEFIT AND CONTRIBUTE TO ECONOMIC GROWTH<sup>4\*</sup>

There is now a growing body of research (drawing on the New Institutional Economics) that argues that a major factor hindering economic development is the limited access nature of its underlying social order.

2. Such limited access social orders are characterized by rent creation, privileged access over economic and political power, and the exclusion of a large proportion of citizens from equal access over markets, resources and governance. By contrast open access social orders provide equality of economic opportunity on the basis of systematic competition, innovation, merit and mobility. Consequently, the institutional framework of open access social orders constitutes the basis of efficient markets and sustained economic growth.

3. An important part of the development challenge for Pakistan is to establish an institutional framework for achieving sustained economic growth by providing equality of economic opportunity to all citizens, and enabling them to achieve through their innovation and enterprise, a sustained, broad based and equitable growth process that would achieve sustained growth with equity and reduce poverty.

4. The institutional framework of such an inclusive growth would have three broad dimensions:

- (1) A process of localized capital accumulation through participatory development.
- (2) A small and medium farmer strategy for accelerated agriculture growth through the provision of land ownership rights to the landless and institutional arrangements for yield increases.
- (3) Accelerated growth of small and medium scale industrial enterprises through an institutional framework for increasing the production and export of high value added products in the light engineering and automotive sectors.

### **The Institutional Structure of Endemic Poverty**

5. The poor in Pakistan cannot be simply seen as individuals with certain adverse 'resource endowments', making choices in free markets. Poverty occurs when the individual in a fragmented community is locked into a nexus of power which deprives the poor of their actual and potential income. The poor face markets, state institutions and local power structures, which discriminate against access of the poor over

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<sup>4</sup> A draft Poverty Reduction Strategy Paper II (PRSP II) has been prepared which is based on the 9-Point Program approved by the present government. PRSP II (2009-2011) will be incorporated in Tenth Five Year Plan (2010-2015).

\* This section is based on the work of the Panel of Economists.

productive assets, financial resources, public services and governance decisions which affect their immediate existence.

**(i) Land for the Landless**

6. In the small farm households the most significant constraint to increasing income is lack of ownership rights and the income losses associated with land use within the structure of dependence.

7. A policy of enabling tenant farm households to acquire ownership rights together with access to the markets for inputs could play a vital role in making the small farm sector the leading edge of a faster and more equitable agriculture growth. Such a policy could have two main elements: (a) Transferring the existing 2.6 million acres of state owned land to landless peasants together with an institutional framework for providing them with access over high quality seeds, fertilizers, water and extension services. (b) Institutional changes to open up the land market together with the provision of credit to tenant farm households for enabling them to purchase land.

**(ii) Enabling Tenant Households to Buy Land**

8. While the transfer of state owned land (2.6 million acres) could provide land to 58 per cent of the existing tenant farmers, the remaining 42 per cent could be enabled to buy land through credit and institutional changes in the land market. Thus all the existing tenant households could become owner operators who could play a strategic role in generating a faster and more equitable agriculture growth. Government can make a significant difference to the position of the landless, poor, and socially marginalized by ensuring secure tenure or title to residential or homestead land in rural areas. Such provision can be a significant non-fiscal measure for enhancing social protection, reducing inequality, and unleashing the productive potential of the poor.

9. In urban areas successive rounds of regularization of Karachi Abadis have been very successful in increasing the social status and economic potential for the poor and the marginalized. Programmes of regularization – which often relate to the regularization of existing settlements on land owned by the government or government-owned enterprises such as the Railways – should be reviewed, revived and expanded.

**(iii) Inclusive Growth through Participatory Development**

10. Establishing the institutional basis for enabling the poor to increase their incomes, savings and investment, would not only constitute a direct attack on poverty but would also contribute to a faster and more equitable economic growth process. Pakistan needs an efficient system for implementing and monitoring all social policy interventions at the grass-roots level. There needs to be dedicated government presence at the grass-roots level for social policy purposes, linked upwards to district, province and national levels. A social policy platform will be a one-window facility for individual citizens to access their social entitlements, voice complaints and seek redress.

11. Participatory Development in its broadest sense is a process which involves the participation of the poor at the village/mohalla levels to build their human, natural and economic resource base for breaking out of the poverty nexus. It specifically aims at achieving a localized capital accumulation process based on the progressive development of group identity, skill development, and local resource generation.

**(iv) Institutional Framework for a Small and Medium Farmer Agriculture Growth Strategy**

12. An important factor in the economic crisis is the underlying stagnation in yields per acre of major crops. It can be argued that if the yield potential of the medium and small size farm sector is achieved, food shortages can be converted into food surpluses. Such a shift can enable Pakistan to convert its weakness into its strength: The current crippling economic burden of food imports can be converted into a strength through food exports. To bring about this transformation a new policy framework is required which will focus on a new small farmer growth strategy.

**(v) Institutional Framework for Faster Growth of Small Scale Industrial Enterprises (SSEs)**

13. Since small scale industries have higher employment elasticities, smaller Incremental Capital Output Ratios (ICORs), and shorter gestation periods, therefore an increased share of investment in this sector could enable both a higher GDP growth for given levels of investment as well as higher employment generation for given levels of growth. At the same time if the institutional conditions could be created for enabling small scale industries to move into high value added components for both import substitution in the domestic market and for exports, Pakistan's balance of payments pressures could be eased. The key strategic issue in accelerating the growth of SSEs is to enable them to shift to the high value added, high growth end of the product market. These SSE's include high value added units in light engineering, automotive parts, moulds, dyes, machine tools and electronics and computer software.

14. This institutional framework for development and poverty alleviation would need to be carefully worked into the overall development strategy but more specifically into the poverty alleviation strategy to be adopted for the Tenth Five Year Plan (2010-2015).

**IV.7  
STRATEGIC INTERVENTIONS: NEW INITIATIVES  
TO UNLEASH UNTAPPED/UNDERUTILIZED POTENTIAL AND  
OVERCOME KEY GAPS/IMBALANCES**

Despite over 60 years of economic development there still remain untapped resources which have enormous potential as well as bottlenecks/imbances which if removed could unleash a virtuous cycle of growth, development and poverty alleviation. Lack of high quality skills is clearly one such area. Others include the tapping of enormous potential to develop alternative sources of energy, using our waterways to transfer goods and people (given the country having the largest contiguous irrigation system in the world) and the untapped coal reserves estimated at 185 billion tons in Thar.

2. The Tenth Plan (2010-15) will make a concerted attempt to breakout of this vicious cycle of inaction and neglect. The Planning Commission will take the lead in this initiative and actively involve the Provincial Governments and the Private Sector in formulation, development and implementation of programs and projects resulting from these initiatives.

3. Some of the new planned initiatives that will be carried forward in the Tenth Plan (2010-15) include:

- HRD through high-tech skills centers.
- Development of inland waterways.
- Setting up of cool chains.
- Setting up agro-service centers.
- Gasification of coal to tap coal reserves while preserving the environment.
- Development of new alternative energy sources (wind power, hydel (zerohead), geothermal, solar water heating).
- Mining: extraction of gold, copper and iron.
- Re-building the maritime industry to directly link exports with the rest of the world.
- Poverty alleviation through non-farm (landless) diary development.
- Setting up a University of the Future

## IV.8 SOUND ECONOMIC POLICIES, GOOD GOVERNANCE AND STRENGTHENED INSTITUTIONS

### (i) **Sound Economic Policies**

A major lesson of Pakistan's past economic experience is that investors, businessmen, and farmers – indeed all economic agents – respond to market signals and these signals play a major role in allocating resources across and amongst sectors in the economy.

2. This rational response has been a major strength of the Pakistan economy. This, however, is true when the market signals reflect opportunity cost of economic resources and factors of production. When these market signals are distorted by arbitrary intervention by the government or due to structural imbalances in the economy, it leads to a misallocation of resources resulting in an inefficient economic structure and 'rents' for those privileged classes and groups who benefit from such intervention.

3. This is not to say that all interventions are bad. Some measures may be justified to protect and encourage initial growth in key sector or industries where the country has the potential to develop its comparative advantage and compete in the global economy. However, if these measures become of a permanent nature (which the rentier class which benefits from these would put pressure to continue) then this results in inefficiency and lack of competitiveness in the economy.

4. In Pakistan today despite some important economic reforms that have taken place in recent years there remain major areas where policy interventions, outdated rules and regulations and monopoly and other elements have distorted the smooth functioning of market forces and led to misallocation of resources and acted as a constraint on growth of key sectors of the economy.

5. During the Tenth Five Year Plan (2010-2015) the process of economic reforms will be continued and policy changes initiated which would assist the economy to sustain higher and efficient growth. There is need for debate and discussion on the areas where these reforms are most needed, the modalities for undertaking them and the pace at which these should be implemented. There are also important costs and benefits of the reform process that need to be carefully evaluated.

### (a) **Removing Anti-Export Bias**

6. A glaring and important area to start reforms is the anti-export bias in our current trade, taxation and foreign exchange regime. An important reason why our exports grew much below potential in recent years was that the exchange rate was overvalued. Similarly current incentives in the form of duty draw backs have been misused and need evaluation. The procedures need to be rule-based and transparent.

**(b) Agriculture Markets**

7. There is similarly a need for developing an enabling policy environment for trade in agricultural produce and market access by reducing trade barriers through the creation of more competitive, non-monopolistic structures that will ensure better returns to farmers. It has been estimated that the overall economies from the shortening of the current cumbersome supply chain by reducing the number of intermediaries would be 20-25 per cent of the consumer price in the case of farm produce.

**(c) Competitive Policy**

8. Monopoly arrangements in a number of product markets (cement, sugar) results in periodic shortages and high prices. Such monopoly arrangements also results in the benefits of a decline in international prices (palm oil) not being passed on to consumers.

9. The new regulatory body to encourage competition, the Competition Commission, has recently been set up. Its performance needs to be reviewed at regular intervals and its powers accordingly adjusted to ensure effective functioning of market forces and competition among producers.

**(d) Labour Market**

10. A well functioning and efficient labour market can play an important role in generating more and better employment opportunities and reducing skill mismatch. A major reason for them not performing efficiently is lack of labour market information which impedes mobility of labour and results in continuous imbalances in supply and demand of needed skills in the economy. The Tenth Five Year Plan (2010-2015) should aim to improve labour market functioning by putting in place private as well as public employment exchanges that provide information on job opportunities and meet labour demand.

11. It is important, however, that the labour market should be both efficient and equitable and take full cognizance of fundamental rights of workers as enshrined in international labour conventions of the ILO to which Pakistan is a signatory. The government has taken significant steps to move in conformity with these international standards by replacing IRO (2002) by IRO (2008). However, there is still room for further improvement.

12. To ensure competitiveness and adjust to fast changes in demand especially in global markets employers need flexibility to adjust their labour force. At the same time there is need to ensure security for workers in the contractual arrangements. A more permanent work force also encourage investment by employers in their skills development. Also if redundancies become inevitable there is need to put in place adequate safety nets and programmes for skilling and re-skilling to help displaced workers find alternative job opportunities.

13. It would be important to evolve during the Tenth Plan (2010-15) a better functioning labour market and bring in required changes through tripartite dialogue between employers, workers and the government through their freely elected representatives.

14. There are a number of other important areas that require economic reforms and they need to be the focus of debate and discussion which should then lead to appropriate policy changes that can be incorporated in the Tenth Plan (2010-15).

**(ii) Promoting Good Governance and Strengthening Institutions**

15. The promotion of good governance requires combination of strengthening institutions, administrative and service reforms and improving monitoring and evaluation system. Accordingly, the Tenth Plan (2010-15) would need to lay emphasis on the following.

- Examine the most effective ways, built on successful past experiences of delivering public services and reducing poverty.
- Devolution Plan 2001 will be reviewed to ensure effective decentralization of administrative and financial power and functions of government for successful local development and strengthening local communities. This will enhance the delivery of critical municipal services.
- The link between planning and implementation will be strengthened and effective coordination among various ministries and stakeholders will be ensured for better implementation of program and policies.
- Participatory approaches and governance concerns will be considered in the design and implementation of policies, programs and projects, with capacity building of agencies involved.
- The systemic problems that undermine the efficiency of legal, judicial and law enforcement institutions will be addressed.
- Corporate governance and public-private interface issues will be addressed to protect identified public interests while minimizing private transaction costs.
- Several areas of public sector management will be addressed, including (a) streamlining revenue administration; (b) strengthening public financial administration; (c) streamlining e-governance; (d) public sector capacity building and civil service reforms, covering professionalization of civil services and qualitative improvements through continuous training and skill up-gradation, and (e) enhancing the quality and coverage of data and statistics.
- Strengthening the law enforcement agency through capacity building to improve law and order condition in the country for creating conducive environment for internal/external investors.
- Reduce corruption by introducing transparent, open and accountable financial/administrative mechanism in all fields. Ensure transparent, one window facilities for local and foreign investors.
- Involvement of civil society, especially voluntary organizations with a view to equip them to act as pressure groups to check the deterioration in

governance and exploitation of the public.

- Corporate governance issues will be addressed, including improving the public private interface, with development of the legal and regulatory frameworks.
- Judicial reforms that ensure inexpensive and quick justice. E-governance and IT will be given a big push to increase transparency, fair play and make systems faster and user friendly.

## IV.9 SKILLS AND TECHNOLOGY FOR A KNOWLEDGE DRIVEN ECONOMY

There is growing recognition that the global economy is increasingly driven by knowledge rather than the traditional factors of production. Pakistan's Medium-Term Development Framework (MTDF) 2005-2010 and Vision 2030 both recognized the key role of knowledge in economic growth when they described the goal of transforming Pakistan by 2030 into a "Developed, industrialized, just and prosperous Pakistan through rapid and sustained development.... by deploying knowledge inputs".<sup>5</sup>

2. In an increasingly competitive global economy, knowledge serves as a major source of competitiveness and knowledge creation results from greater investment in science, research, technology and innovation and the use of computer and the internet to generate, share and apply knowledge.

3. Benchmarking or measuring progress in moving towards a knowledge economy is measured by an economy's shift into higher-value added sectors.

4. According to UNIDO the share of medium-or-high technology goods in overall manufacturing value-added in 2002 was much lower in Pakistan, around 35 per cent, compared with around 58 per cent for India and China and 61 per cent for South Korea and 65 per cent for Malaysia. Similarly the share of medium-or-high technology products in manufacturing exports in 2002 remained very low at 10 per cent in Pakistan compared to 20 per cent for India, 46 per cent for China, 70 per cent for Republic of Korea and 76 per cent for Malaysia.

5. UNIDO also has developed an industrial-cum technological advance (ITA) index. In 2002 Pakistan was 0.104 on the index compared to 0.198 for India, 0.235 for China, 0.338 for the Republic of Korea and 0.269 for Malaysia.

6. Till recently Pakistan has ignored and given very little emphasis to higher education, science and technology and research and development. In Pakistan tertiary enrolments (per cent of population age 17-23 years) levels are about 4 per cent compared to 10.5 per cent in India and 28.2 per cent in Malaysia. According to the Global Competitiveness Report (2005) Pakistan's position was 87 on the technology index (includes sub-indices for innovation, technology transfer and ICT) compared to India (63), China (62), Republic of Korea (9), Malaysia (27) and Thailand (43) with the United States being on top.

7. Clearly all these indicators point to the fact that in terms of a knowledge-economy Pakistan clearly comes out rather poorly in comparison with its South Asian neighbour India and even more sharply in comparison with some of the fast growing South-East Asian economies.

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<sup>5</sup> See Preamble to the Approach Paper: Strategic Directions to Achieve Vision 2030, Planning Commission, Government of Pakistan, Islamabad, February 2006.

8. Key issues for the Tenth Plan (2010-15) include the following:
- It is important to realize that just increasing resources for investment in higher education and skills and in science and technology and research and development, important as it is, would not be sufficient.
  - The key issue here is the quality of our graduates. Mechanical number game to meet targets of graduates and doctorates could prove in the long term to be very harmful. A realistic view must be taken of the capacity of the higher education sector to produce good quality outputs and targets adjusted to ensure quality standards. The question of retaining in the country these good quality graduates also needs to be addressed.
  - In a global economy with fast changing technology it is extremely difficult to make accurate projections of skill requirements. Supply needs to be guided primarily by the market and what the government can do is to set up a robust monitoring system which would identify skills shortages in the economy and help guide investment by both the private and public sector accordingly in skills development. Similarly as much as possible local education and training institutions should be given the autonomy to respond to changing market needs.
9. The strategic thrust of the Science-Technology policy in the Tenth Plan (2010-15) would be on:
- Enhance access to higher education, improve its quality and make it relevant to national needs by developing close university-industry linkages.
  - Together with increased investment, the capacity of the government and other institutions in the formulation and implementation of science, technology and innovation (STI) policies will be enhanced to ensure high and sustained economic growth.
  - A large number of programs initiated by the Higher Education Commission (HEC) will be restructured to ensure best use and results.
  - The resource base of the universities will be broadened by activating alumni of the universities and wider support networks by establishing endowment funds to make the universities more resilient to financial crisis.
  - Public-private partnership (PPP) will be encouraged to promote higher education in the country and creation of R&D culture. Knowledge clusters and innovation centers will also be established.
  - Bio-tech parks will be developed on the campuses of the universities. New subjects will be introduced to cater for the need of emerging technologies.
  - An improved quality regime will be promoted through the development of legal and institutional framework, up-gradation of national quality infrastructure including accreditation of laboratories and protection of user rights.
  - The satellite development program will be further enhanced.

## **Higher Education**

10. The Higher Education Commission envisaged a programme of higher learning both in Pakistan and abroad. The intention was to produce a large number of Masters and Ph.Ds. who could establish a tradition of research in the universities, science and technology organizations as well as in Industrial Research. At present nearly 4000 scholars are studying for their Ph.Ds. abroad and nearly the same number are pursuing post graduate studies in the country. Close to 300 qualified scholars are becoming available each year to the country – most of them Ph.Ds.

11. The benefit of this huge investment in higher education can best accrue only when this educated human resource is effectively employed in education, research and industry to advance the goals of the nation – both economic, social and in the domain of defence.

12. To ensure this the Tenth Plan (2010-15) would need to develop a road map which could include such initiatives:

- (i) Centres of excellence be established in the country. The centres should specialize in advanced fields of relevance to national development. They should have the most modern equipment for post-doctoral research. Some of such centres of excellence may already be operational. All these centres of excellence should come under one unified attractive pay structure conditional to the production of top class research from these individuals.
- (ii) Industry, banking, S&T and other sectors should send their research problems at these centres as contract work. There should be ample research grant set aside for these institutions. The value addition to our productivity will be well organized and channelized through this institutional set up.
- (iii) The country can make tremendous rapid progress in all fields once rather than have a scattered and disjointed research effort if it is properly organized. The Ph.Ds on return are being presently wasted due to lack of opportunity to work at a good salary. They will be put to effective use. A large part of the development budget can be diverted to these centres of excellence. This should be our road map for higher education for the next Five Year Plan.

## **Information and Communication Technology**

13. Information & Communication Technology (ICT) is considered to be a prerequisite for economic development and social uplift of the people. The nascent ICT has made phenomenal progress in the telecom sub-sector by attracting huge international investments. However, the domestic usage of IT has not grown that fast. The challenge in the Tenth Plan (2010-15) will be to rapidly expand the domestic usage of IT by introducing citizen centric services in local/regional languages, provision of low-cost locally-manufactured computers for the public and establishing trust-worthy internationally-practiced mechanisms for encouraging business-to-business (B2B) and government-to-business (G2B) transactions.

14. The challenges of ICT mainly centre around improving quality of IT education, increasing IT exports, expanding e-government and e-commerce and fostering computer hardware industry. These challenges can be transformed into an opportunity by addressing the core issue of providing 'universal access' to education and 'opportunities for learning' computer skills needed in various professions. This would act as a catalyst for poverty alleviation and reducing the digital divide, thus helpful in meeting the Millennium Development Goals (MDGs). The main focus of the IT strategy of the Tenth Plan (2010-15) would be on the following lines:

- Vocational/technical skills training in ICTs with emphasis on international certification.
- Transition of government departments from simple office automation to 'inter connected' automated workflow.
- Strengthening software industry by encouraging international brands of Pakistani products.
- Attract foreign investment and transfer of technology for manufacturing of computer hardware.
- Encourage electronic knowledge sources available in cyberspace. Focus on joint ventures with software market leaders for making products available in Urdu and regional languages.
- Creating conducive domestic e-commerce/e-business environment by providing necessary infrastructure in the form of Public Key Infrastructure (PKI) and compliance to IT security standards.
- Provision of high-speed connectivity infrastructure and services, such as broadband, WiMAX, 4G, satellite and other emerging communication technologies at affordable price.
- Establish IT clusters for academia-research-industry linkages.
- Implementation of intellectual property rights (IPRs) to promote creativity and interest in software development and legislation of cyber laws.

#### IV.10 INTEGRATED PLANNING FOR ENERGY DEVELOPMENT

Pakistan is faced with a very serious energy crises. Against a demand of 19000 MW the availability is limited at about 14000 MW in winter and 18000 MW in summer. Planned load shedding, of both industrial and domestic demand, has to be resorted to. Unfortunately, during the last six years no additional generation capacity has been added. The situation was compounded due to surging oil prices and simultaneously to the increased consumption of electricity beyond that was expected.

2. To meet part of the shortfall on urgent basis, installation of costly but necessary 2200 MW "Rental Power Plants" on fast track basis is presently underway.

3. Extensive up-gradation of the electricity transmission and distribution system is being undertaken but the scope needs to be enlarged. In some regions these losses are more than 40 per cent as compared to the normal 7-8 per cent in OECD countries. Improvements will increase the available capacity significantly.

4. Similarly, thermal power stations operate at very low capacity factors, ranging from 50 to 60 per cent. Extensive investment is required to improve the situation in this area. A 10 per cent increase will add as much as 1000 MW to the available capacity.

5. The North of Pakistan and the Indus river system has a vast potential of generating as much as 50000 MW of hydro electricity. Sites are available for the very large to small storage cum electricity generation sites and run of river and canal sites.

6. Indigenous gas already plays an important role in meeting the energy needs of the country. A large and very well operated and managed gas supply system exists. There is great potential of discovering and exploiting new oil/gas fields both on shore and off shore. Pakistan also plans to invest in Waste to Energy and Bio-Power Plants.

7. The vast reserves of Coal at Thar estimated at 185 billion tons awaits mining and exploitation. There are plans to set up two to three plants of 1000 to 1200 MW each, based on imported coal, in the coastal regions of Sindh and Baluchistan.

8. Similarly, there is a large potential for wind and solar power generation. Particularly the coastal areas and the vast tracts of open spaces in Sindh and Baluchistan offer lucrative investment opportunities.

9. Pakistan has 35 years experience of safely and responsibly operating Nuclear Power Plants. A vast potential of investment in Nuclear Power Plants to operate as base load stations exists.

#### **Key Issues and Challenges**

10. To address the issue of energy shortages, the strategy for the Tenth Plan (2010-15) will be designed around exploitation of indigenous resources, energy security, energy conservation and development of alternative energy sources. The

strategic focus will be on the following issues:

- Fast track development of Thar Coal through environment friendly technology not using open-pit exploration method.
- Initiating work for the development of renewable energy. Expansion of untapped hydel resources and indigenous nuclear power generation.
- Speedy implementation of energy projects and programs not only to avert energy crisis but also to supply adequate energy on regular basis to the growing economy.
- Fast construction of gas pipeline to import Iranian gas.
- Implementation of five energy related policies on LPG pricing, LNG, petroleum, renewable energy and gas management.
- Undertake a number of programs to enhance energy efficiency and conservation.
- Develop an energy trade corridor with Gwadar as the energy hub.
- Rationalization of power tariff to lower the cost without affecting efficiency.

11. Serious infrastructure constraints have, however, emerged especially in the energy sector which has adversely affected utilization of scarce resources and future economic growth prospects. Energy shortages appear on account of inability to pay importers, in-efficient use of scarce energy sources, improper pricing that encourages over consumptions, in-appropriate gas policy that does not reflect declining reserves and best use of scarce gas resources. These issues will be systematically addressed in the Tenth Plan (2010-15).

## IV.11 INFRASTRUCTURE FOR DEVELOPMENT

### **National Trade Corridor**

Pakistan can become competitive only by decreasing the cost of doing business and lowering the indirect losses being incurred due to inadequate and inefficient physical infrastructure. The logistics cost is as high as 29 per cent against the top ten countries' average of 6 per cent and our logistic performance index ranks at 58 out of 150 countries. A major objective of the Tenth Plan (2010-15) will be to make Pakistan much more competitive in order to develop its trade and industry and bridge the large trade deficits. An all encompassing programme of development through a thematic mode in the form of National Trade Corridor Improvement Programme (NTCIP) will play an important role in improving our competitiveness. It would continue to be steered by a number of Task Forces on related sectors as well as research studies and reforms to be undertaken with the assistance of our development partners. With the introduction of reforms supplemented by a strong investment program, NTCIP will address the following important challenges:

- modernize and streamline trade and transport logistics, practices and customs;
- improve port efficiency, reduce the costs for port users and enhance port management accountability;
- create a commercial and accountable environment in Pakistan Railways and increase private sector participation in operation of rail services;
- modernize the trucking industry and reduce the cost of transport and other externalities;
- sustained delivery of an efficient, safe and reliable National Highways system;
- promote and ensure safe, secure, economical and efficient civil aviation operations ;
- enhance export of perishable commodities (fruits, vegetables, livestock) through establishment of an efficient and viable cool chain supply system ;
- develop along with the national trade corridor the industrial corridor ;
- examine and implement economical modes of transportation particularly the development of an inland water transport system.

2. The above reform agenda would be finalized with the active involvement of all the stakeholders, the Private Sector Development task force of the NTCIP and important studies being undertaken with the assistance of world class institutions.

#### **(a) Transport and Communications Sector**

3. An efficient, reliable and safe transport sector is a crucial enabler of sustained productivity and competitiveness. It contributes towards increasing business efficiency, facilitates investment in new markets by reducing cost of doing business and helps creating new jobs. The strategic reforms will be implemented through a broad

framework which will address the challenges and bottlenecks faced by the transport sector and the reforms will focus on the following framework:

**(i) Railways**

4. There is considerable room for improvement in the railways system. Currently, it carries less than 5 per cent of freight traffic, and a major shift in the existing railways practices for provision and delivery of rail services is imperative if capacity and productivity is to be enhanced. The Tenth Plan (2010-15) would place emphases on corporatization of the Pakistan Railways and increased participation of the private sector in its operations. The Pakistan Railways shall be transformed into corporation through introduction of restructured separate accounting system for freight and passenger services, and constitution of a fully autonomous Pakistan Railways Board with majority of Members drawn from Private / Corporate Sectors. This would lead to improved and efficient rail services with increased share in national trade. Profitability too is expected as a result to improve drastically.

5. A new Track Access Policy shall be implemented in the Plan. Under this initiative the railway track shall be shared with the private sector for passenger and freight operation that would not only be customer friendly but would also enable railways to regain some of its freight market share lost to road. The plan would also provide unbundling of railways manufacture units (e.g. Carriage, Locomotives & Sleeper factories, Workshops) as well as services into companies, as has been done in China.

**(ii) Highways**

6. The road sector carries 95 per cent of the inland freight traffic which is growing rapidly. The existing highway network will not be able to support the projected traffic pressure. The quality and condition of existing road network is also poor due to lack of maintenance funds. This problem has been compounded by overloading freight causing damage and premature depreciation of roads, that is reducing the life of the highways. This also results in low journey speeds, long transit / journey time, extra fuel and higher vehicle operating cost.

7. The Tenth Plan (2010-15) shall focus on enhancing the network capacity, service standards and reliability of the highways in order to lower the transit cost (10 per cent of transport cost), travel time (from 72 hrs to 36 hrs between Karachi and Peshawar) and road fatalities (50 per cent) along the NTC in the next five years.

8. Serviceability of the existing highway network shall be improved through timely preventive maintenance and by ensuring sustained source of funding. For this purpose, a Road Fund is proposed to be established during the Plan period which will be administered by an independent Board with representatives from road users, stakeholders and the general public. There will be a clear separation between funding and execution of road works, with guidelines prepared for providing funds to road agencies which shall be responsible for implementation.

9. A Policy and Regulatory framework for private sector participation in the road sector along with institutional strengthening of road related departments / agencies would also be adopted in consultation with different stakeholders to facilitate investment and increased efficiency.

**(iii) Ports & Shipping**

10. Nearly 95 per cent of the sea borne trade of Pakistan (mainly captive cargo) is handled by the two ports at Karachi, namely Karachi Port and Port Qasim. At present neither is user friendly as their handling and operating charges as well as container dwell time are highest in the region. This not only reflects declining efficiency of the ports but also places extra burden on trade and the economy. The Tenth Plan (2010-15) shall address this issue and, amongst other reforms, will reduce port dues on the basis of underlying operating cost and regional benchmark tariffs. A focused effort would be made to create an enabling environment to revive the declining ports performance and shipping business with improved port facilities and services and to attract transit and trans-shipment cargoes.

11. All the ports will be re-structured with services outsourced where possible, such as pilotage, tugging, wharfage and maintenance dredging, while capital dredging shall be done by the port authorities. At present all the ports are faced with a draught issue and can not handle large vessels. It is therefore, imperative to increase the draught at the three ports to accommodate larger ships to achieve economy of scale.

12. The plan shall also focus on reviewing / amending the Acts of the respective ports with the objective to provide more operational and financial autonomy.

**(iv) Maritime Industry**

13. Since the promulgation of Maritime Ship Ordinance (MSO) – 2001, not a single ship was registered under the Pakistani Flag. Even the vessels owned by Pakistanis were registered under the Foreign Flag. In order to reverse this trend, the MSO shall be reviewed and updated in line with current shipping requirements. A financing framework shall be proposed for the procurement of ships in the private sector. The financing framework would also cater to the requirement of developing the private ship building, ship repair and container manufacture facilities.

**(v) Civil Aviation / Air Transport**

14. Despite economic growth, air traffic has remained stagnant against international trends and experience. This is partly due to stoppage of services by European and US Carriers and PIA's inability to compete for potential markets in the Gulf region as well as other international destinations. Some private airlines are operating in Pakistan, but they too have not been able to respond to the demand due to their limited operational base.

15. To address the above issues, the Tenth Plan (2010-15) will underline the development of civil aviation as a progressive, liberalized and efficient sector on the

basis of competition and international standards of safety and security which would contribute effectively to the national economy. A new Civil Aviation Policy would be introduced which provides for continuation of Open Sky Policy based on agreements on the principle of reciprocity and bilateralism, promotion of PPP for construction and operation of our airports.

16. During the plan period, the role of CAA as regulator and service provider shall be improved to avoid conflict of interest and to expand its operations and clientele.

**(vi) Cool Chain**

17. Horticulture subsector contributes about 12 per cent to agriculture sector output in Pakistan, and holds great potential for increasing export premium quality horticulture produce, which can offer multiple employment opportunities throughout the supply chain, particularly in the rural areas. However, its growth and profitability is restrained mainly by the lack of proper post-harvest management and transport infrastructure resulting in a loss of about 30-40 per cent, while less than 4 per cent is exported at far lower price (41 per cent) compared to the world average price, owing to poor quality and relying on traditional low end markets.

18. The Tenth Plan (2010-15) shall aim at improving the post-harvest management infrastructure (grading, packing, storage and transport / cool-chain) as well as shelf life and quality of fresh produce, which will help reduce post-harvest losses, increase production surplus, stabilize prices and substantially boost export to highly lucrative and competitive international markets.

19. During the Tenth Plan (2010-15) a detailed assessment of various alternative models of PPP would be carried out to develop a viable cool chain supply system in accordance with geographical consideration.

**(vii) Inland Waterways**

20. Inland Water Transport (IWT) can play a significant role in the Transport Sector. A large number of countries both in the developed and developing world effectively utilize this mode. In Pakistan, the Indus river system had been the main artery for transportation of goods and people until the nineteenth century. With the introduction of railways, improved road system and construction of barrages on the Indus, use of this mode of transportation has become insignificant.

21. IWT system is the cheapest mode of transportation – freight-wise it is one-fifth of Railways and one-tenth of road cost. This system had been under consideration of the Federal Government for a long time and a number of studies have since been carried out on the subject, which were rather inconclusive.

22. The Tenth Plan (2010-15) shall analyze and provide for economic viability of setting up an IWT system with the initial focus to use link canals as waterways for cargo/passenger transportation. A feasibility study would be carried out and three pilot

projects for the development of waterways (length of 250-300 km) in link/ irrigation canals of Sindh and Punjab Provinces will be undertaken.

**(b) Water Resources Development**

23. Water is the life line of Pakistan's economy. Water provides prosperity, creates jobs, and acts as one of the major engines of growth and development with a multiplier impact on the national economy. However water availability is diminishing due to the demands of an ever increasing population, pressures of economic growth, urbanization and increased consumption patterns. The present gap between supply & demand is 12 MAF and is likely to grow 34 MAF by 2020. The water sector therefore throws up critical challenges demanding innovative solutions in the Tenth Plan (2010-15).

24. The water shortage scenario is aggravated by high variability and unpredictability of rainfall. Climate change and global warming will further impact the sustainable availability of water. The Indus water treaty caused the loss of three major rivers, Ravi, Sutlej and Beas. Pakistan's water storage capacity in major reservoirs (Tarbela, Mangla and Chashma) remains at 13.4 MAF which is much less than the world average and is continuously diminishing (7.58 MAF upto 2025) due to sedimentation in the reservoirs. The total natural precipitation is approximately 200 MAF and groundwater pumping is around 50 MAF which is largely dependent on supply of energy/electricity, which suffers from indiscriminate load shedding in rural areas. The groundwater can be increased by pumping out an additional 25 MAF of saline water and utilization of saline drainage surplus of 3-5 MAF. Bio-saline technology is urgently required to be promoted in selected geographical areas.

25. Water scarcity has two dimensions i.e. supply side and demand management. On the supply side deferred maintenance, inadequate investments for the augmentation of water resources, absence of alternate options of development, and limited implementation capacity are major issues.

26. On the demand management side the major constraint is that the irrigation infrastructures was designed for water requirements of the 20<sup>th</sup> century and not for the 21<sup>st</sup> century. The system which was designed for 60 per cent cropping intensity has gone beyond 120 per cent. Further the cropping pattern on which water demands and withdrawals were worked out was never critically appraised and was overloaded with crops such as sugarcane and rice which required high water delta. The system is also under immense stress due to deferred maintenance and repairs over decades. The irrigation (infrastructure) operations and on-farm practices need ownership of all the stakeholders. A joint management mode needs to be devised to the satisfaction of the farmers for success of area Water Boards and Farmer's Organizations.

27. The existing strategy entails the augmentation of surface resources by construction of water storage dams, conservation of water through lining of canals & water courses and enhanced efficiency to be accomplished by rehabilitation and improved operation of existing systems. The extended strategy will include groundwater recharge, use of saline water, water markets as the mechanism of efficiency and sustainable use of resources (land, water and environment). It is

important to understand that water availability cannot be enhanced beyond natural availability with present levels of technology.

28. For sustainable water use there are two options of crucial importance and both must be pursued. First is the demand management and second is knowledge based interventions for better efficiency. The water sector strategy for the Tenth Plan (2010-15) shall *inter-alia* take care of investment in water sector to achieve additional water storages, responsive institutional reforms and improved water demand management. The innovative solutions should combat the challenges of climate change, transboundary water, virtual water trade and water political economy. The focused investment areas would be dams, canals, high efficiency irrigation system, recharging of the depleting aquifers and drainage.

**(c) Urban Development**

29. Dynamic cities and towns can power national economic growth and spread prosperity. For this they must be sustainable and functional in four respects. They need to be livable, ensuring good quality of life for all their residents and ought to be competitive, well governed and financially viable. The government's policy initiatives, in urban development, in the Tenth Plan (2010-15) would therefore, expand well beyond its traditional focus limited to housing and public works.

30. Urban development would be driven primarily by the provincial and local governments. The federal government's concern would focus on strategic issues relating to:

- Improving urban livability,
- Supporting competitiveness,
- Promoting improved urban governance and management,
- Enhancing financial health of the cities

## **IV.12 PROTECTING THE ENVIRONMENT AND PREPARING FOR CLIMATE CHANGE**

Addressing environmental concerns is critical for the long term sustainability of economic development and for sustainability of mankind. Major environmental concerns faced by Pakistan include water scarcity and water quality, air pollution, waste management, deforestation, loss of biodiversity and protected areas, climate change and ozone depletion, energy inefficiency and problems in agriculture and livestock and resource degradation. Water availability has declined from 5000 CM per person in 1950 to less than 1200 CM in 2005. Due to climate change and inefficient use of water Pakistan will be facing acute water scarcity in the future. Air pollution has crossed the threshold level SPM and it is 6 times higher than the WHO guidelines. The 'smog' affects life seriously in December and January every year in Punjab. In Pakistan less than 60 per cent of the waste is collected and a lower fraction is disposed off properly. Currently, forest cover in Pakistan is below the international standards of 25 per cent of area. It is important to increase forest cover for protecting the livelihood, preserve biodiversity and to meet the challenge of carbon sequestration. Changes in atmospheric concentration of greenhouse gases (GHGs) have affected the global climate and it is becoming critical in the debate on sustainability of economic development. The global consequences of climate change include decline in agricultural productivity, increase in water shortages, deforestation, loss of biodiversity, adverse impact on ecosystem, and on health.

The Tenth Plan (2010-2015) will focus on issues of water, air pollution, waste management, deforestation, energy and climate change. The main components of the strategy will be:

- Increased availability of safe drinking water to the population to meet MDG Goal.
- Efficient water use and conservation by building the reservoirs, maintenance of the existing water resources, recycle and reuse of water and reduction in water wastage to avoid water scarcity and improved irrigation practices with the help of community involvement.
- Develop effective monitoring system, and implementation of standards related to water pollution.
- Formulate 'Marine Pollution Act' to meet adverse effects of water pollution on sea life.
- Formulation, implementation and enforcement of standards through 'Clean Air Act' and regulate and enforce strictly the vehicular emission standards to reduce air pollution.
- Promote use of clean fuel in the transport sector, enforce traffic regulation to minimize the traffic pollution and propose strategy to ensure compliance by the industries and transport sector.
- Formulate and enforce regulations for proper waste management, particularly recycle and reuse of waste for energy use, for agriculture and as an intermediate input.

- Formulation and implementation of national forestry policy with institutional and legal reforms for good governance, protection and rehabilitation of mangrove forests, research and training for forest preservation and extension and conservation of biodiversity with community involvement
- Adoption of strategies to make agriculture more resilient to the climate change by adjusting the cropping pattern. This could be made in planting and harvesting pattern, crop rotation, crop mix, crop varieties, irrigation practices, and fertilization.
- Formulation and adoption of plan to minimize the adverse impact of climate change on livestock. The plan should focus on provision of shading, improved air flow, reduced crowding, alerted diets and provision for ensuring animal health.
- Formulation of energy policy focusing on enhancing energy efficiency. The focus will be on provision of incentives on use of energy efficient appliances, labeling of the energy efficient products to increase awareness of the consumers and promotion of energy saving devices in both the commercial and residential sectors.
- Research and development for adoption of new energy efficient technologies. A mechanism for the transfer of the energy efficient technologies developed internationally can also help in enhancing energy efficiency and in adoption of clean fuel and production technologies.
- Increased supply of clean energy to earn carbon credit and benefits from provisions under “Clean Development Mechanism (CDEM)”.

#### **IV.13 MONITORING AND EVALUATION: IMPROVING DELIVERY OF PUBLIC SERVICES**

An improved Monitoring and Evaluation (M&E) system helps to built greater transparency and accountability in use of project resources and information based decision-making; and formulation and planning of future projects. Timely adjustment and corrective actions improve the project work plan and implementation strategies. Focus of the Tenth Plan (2010-15) would be on the following proposals to improve M&E system.

- Project Monitoring and Evaluation System (PMES) will be operationalized at all tiers of the government. To strengthen the system, an accessible integrated web based interactive online databank for continued flow of e-information for effective planning; monitoring and implementation will be developed.
- The conventional resource allocation will be transformed to the target oriented cash/work plan based on Result Based Management System (RBM).
- E-connectivity at federal and provincial level will be developed to utilize resources for national development in an integrated and coordinated manner.
- The concept of alternative development vehicle for effective implementation of projects will be introduced.

2. During the Tenth Plan (2010) a major effort will need to be undertaken to improve the delivery of public services. Second generation governance reforms will be deepened. Needed actions will also be taken to revitalize and further strengthen the key state institutions including the Federal Board of Revenue, Federal Bureau of Statistics, Security and Exchange Commission of Pakistan, Competition Commission of Pakistan, Office of the Auditor General of Pakistan, Pakistan Railways and State Bank of Pakistan. Measures will be adopted to enhance provincial autonomy, abolish the concurrent list, devolve more services at the local level, and deepen the local government reforms. Civil service reforms inclusive of police will be undertaken to foster professional competence, merit based induction, and market based salaries. Emphasis will be placed on promoting culture of professionalism, staff rationalization, enhancing competence, productivity and accountability.

#### IV.14 PROMOTION OF HERITAGE AND CULTURE\*

A nation that has a poor memory of its heritage can at best have only a faint perception of its future. Pakistan has a cultural and historic heritage that reaches back to pre-historic times but unfortunately the memory of it has dimmed. It has a distinctive character formed by several cultural currents which have successively flowed into the region that is characterised by its unique diversity and broad range of intellectual and aesthetic endeavours.

2. A rich heritage propels people and nations to forge ahead. Nations that have a rich past can more easily convince themselves to have a future. Awareness of national heritage thus acquires pivotal importance in nation building. Often the role of culture in social advancement is minimised by arguing that culture is a by-product of material advancement. It is perhaps more accurate to assert that advancement in the fields of art, aesthetics and thought have a catalytic effect in creating the vision and the will requisite for material and social advancement. A democratic society can only be raised on pillars of a democratic sensibility. In practice it is not really a question which comes first since each must coexist to make the other possible.

3. Often when cultural heritage is mentioned the creative and aesthetic endeavours of our people are ignored. It is now acknowledged that some of the finest expressions of human excellence are built upon the endeavours of common men and women who in their daily struggle inventively state their aesthetic and material needs with simplest solutions.

4. What needs to be done is simple but needs a planned and focussed effort. We must review what is being taught and what need to be taught about our heritage and culture at schools, colleges and universities. We must carefully record our heritage, preserve what is decaying and try restoring to life what we can in the Tenth Plan (2010-2015).

5. To undertake the aforementioned tasks it is imperative that National Heritage be categorised so that each category is prioritized and given focussed attention. It must also be remembered that in the course of studying, preserving and gaining from our past we must not forget our present. We have in the course of last six decade done little to promote our contemporary culture. The Tenth Plan (2010-2015) must take serious notice of it and provide it the essential space and resources that are needed to establish its rudimentary institutions.

6. The Heritage undertaking can be initiated with the following categories.

- Archaeology.
- Architecture (urban and rural) and architectural crafts.
- Traditional classical and folk crafts.

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\* Drawn from the Task Force on Heritage and Culture.

- Literature.
- Painting and sculpture
- Music
- Theatre, dance and traditional festivals.
- Social customs and traditions.
- Study of racial and ethnic diversity, customs and languages.

7. It is proposed that during the Tenth Plan (2010-2015), the attention should be focussed on the following aspects of the national and cultural heritage:

- Conduct research and establish data base and prepare an inventory/encyclopaedia.
- Enhance awareness of our common heritage among the people through education, media and publications.
- Promote preservation and restoration efforts.
- Strengthen and support, cooperation and coordination among existing cultural institutions/organisations involved in heritage research, conservation, preservation and promotion.
- Prioritize national and regional tasks.
- Establish a National Theatre and an Academy of Dramatic Arts.
- Establish an Art Council with an auditorium and a gallery in each district.
- Establish an auditorium in each tehsil headquarters.
- Establish a National Institute of Music.
- Establish a National Museum of Traditional and Contemporary Calligraphy.
- Establish a National Museum for traditional Arts and Crafts.
- Establish Provincial/Regional Museums of Traditional and Folk Arts and Crafts museums.
- Establish a national institute for training in skills necessary for preservation, restoration and other allied fields such as museum sciences.
- Review antiquity laws to ensure their enforcement.

## Annexure 1

**Resource and Employment Gaps for  
Various Targeted Growth Rates**

GDP growth Rate (%)	As % of GDP			% per annum		
	Available resources <sup>1</sup>	Investment requirement	Resource gap	Change in labour force	Change in employment	Employment gap
5.0	19.9	20.0	-0.08	2.95	2.33	-0.63
6.0	19.9	24.0	-4.08	2.95	2.79	-0.16
7.0	19.9	28.0	-8.08	2.95	3.26	0.31

**Note:** 1. Average gross national savings plus foreign savings during last ten years.

**Source:** *Growth Strategies and Development Priorities*, Report by the Sub-Group of the Panel of Economists, May 2009.